

BridgeTex II Pipeline Proration Procedures

(Referenced in Item 150 of Rules and Regulations Tariff of Texas No. 4.3.0, supplements thereto and reissues thereof)

Dated: February 1, 2023

1. **Application.** During any month when the aggregate volume of Crude Petroleum (as defined below) properly nominated to be transported exceeds the available capacity in any Segment (as defined below) of the BridgeTex II Facilities (as defined below), the capacity for each Segment will be allocated among all shippers under the following pipeline proration procedures (the “**BridgeTex II Procedures**”). The pipeline proration procedures governing the allocation of the BridgeTex I Facilities’ operating capacity of 300,000 Bpd, referenced in Carrier’s Local Pipeline Tariff Texas No. 1.3.0 and Local Pipeline Tariff F.E.R.C. No. 1.3.0 do not apply in any way to the BridgeTex II Facilities, and these BridgeTex II Procedures do not apply in any way to the BridgeTex I Facilities.

2. **Definitions.**

“**Affiliate**” means, for purposes of these BridgeTex II Procedures, with respect to any individual, company, entity, organization, joint venture, partnership, or other similar arrangement (any of the foregoing, a “**Person**”), another Person that directly or indirectly controls, is controlled by, or is under common control with such Person. The term “**control**” (including the terms “**controlled by**” or “**under common control with**”) means the possession of the power to direct or cause the direction of the management and policies of a Person, whether through ownership, by contract, or otherwise (including acting as a general partner of a limited partnership).

“**Base Period**” means the eighteen (18)-month period, beginning nineteen (19) months prior to the month being allocated (which excludes the month preceding the month of allocation).

“**Bpd**” means barrels per day.

“**BridgeTex I Facilities**” means, collectively, the pipeline and the associated facilities and improvements, whether owned or leased by Carrier, to transport Crude Petroleum from Colorado City, TX to destinations in the Houston gulf coast area, with an operating capacity of 300,000 Bpd.

“**BridgeTex II Committed Shipper**” means a shipper that entered into a TSA with Carrier during the initial open season for the BridgeTex II Facilities that ended August 4, 2017, but such shipper will only remain a BridgeTex II Committed Shipper during the term of such TSA.

“**BridgeTex II Facilities**” means, collectively, the pipeline and the associated facilities and improvements, whether owned or leased by Carrier, to transport Crude Petroleum from the BridgeTex II Origins to the Destination which are in addition to and separate and apart from, the BridgeTex I Facilities.

“BridgeTex II New Shipper” means any shipper that does not qualify as a BridgeTex II Regular Shipper.

“BridgeTex II Origin” means the origins set forth in the Local Tariff.

“BridgeTex II Regular Shipper” means, subject to the provisions of these BridgeTex II Procedures, a shipper that (a) has made a Shipment of Crude Petroleum during at least twelve (12) months of a Base Period, or (b) is a BridgeTex II Committed Shipper.

“Bryan Segment” means the segment of the BridgeTex II Facilities from the BridgeTex II Origin at Bryan, Texas, to the Destination.

“Carrier” means BridgeTex Pipeline Company, LLC.

“Colorado City Segment” means the segment of the BridgeTex II Facilities from the BridgeTex II Origin at Colorado City, Texas, to the Destination.

“Confirmed Capacity” has the meaning set forth in Section 5.4.

“Cooperating Shipper” means any shipper that (a) is an Affiliate of another shipper, or (b) acts in concert with, pursuant to the direction of, or in coordination with, another shipper, whether written or verbal, or (c) shares with another shipper officers, managers, employees, street addresses, email addresses, telephone numbers, fax numbers, internet protocol addresses, or user information in Carrier’s scheduling system.

“Crude Petroleum” has the meaning set forth in the Local Tariff.

“Destination” has the meaning set forth in the Local Tariff.

“Historical Shipment Status” means (a) the average of all Shipments by a shipper during the applicable Base Period calculated separately on each Segment or (b) with respect to a BridgeTex II Committed Shipper, as determined pursuant to Section 3.

“Local Tariff” means Carrier’s Local Pipeline Tariff Texas No. 4.3.0 and Carrier’s Local Tariff Texas No.5.14.0, including any supplements thereto and reissues thereof.

“Midland Segment” means the segment of the BridgeTex II Facilities from the BridgeTex II Origin at Midland, Texas, to Colorado City, Texas.

“Minimum Nomination Allocation” has the meaning set forth in Section 4.1.

“Proration Factor” has the meaning set forth in Section 4.3.2.

“Segment” means the Midland Segment, the Colorado City Segment or the Bryan Segment, as applicable.

“Shipment” means the transportation of actual volumes of Crude Petroleum through any Segment of the BridgeTex II Facilities, as measured on an average Bpd basis (averaged over a calendar month).

“TSA” means a transportation services agreement fully executed by both Carrier and an individual shipper for transportation service on the BridgeTex II Facilities.

3. **Determination of Historical Shipment Status for BridgeTex II Committed Shippers.**

The Historical Shipment Status for a BridgeTex II Committed Shipper shall, for any and every proration month, be equal to the greater of (a) the average of all Shipments (on a Bpd basis and including all Shipments under its non-firm capacity and uncommitted capacity) by such BridgeTex II Committed Shipper during the applicable Base Period, and (b) such BridgeTex II Committed Shipper’s Daily Contract Volume Commitment in effect for such proration month. Notwithstanding anything in these BridgeTex II Procedures to the contrary, Carrier reserves the right to amend these BridgeTex II Procedures to grant shippers who enter into a TSA the rights set forth in this Section 3.

4. **Allocation Method.** Capacity will be allocated by Segment on a monthly basis as follows:

4.1. **Bryan Segment.** Total Shipments on the Bryan Segment are limited to 11,111 Bpd unless capacity remains on the Colorado City Segment after application of Section 4.4, in which case such capacity will be available for shippers on the Bryan Segment.

4.2. **BridgeTex II New Shipper Capacity.** Each BridgeTex II New Shipper will be allocated the volume of its monthly nomination (on a Bpd basis), but in no event more than a maximum of two percent (2%) of the total capacity of the BridgeTex II Facilities (measured on a Bpd basis). If the total allocation among all BridgeTex II New Shippers would exceed ten percent (10%) of the total capacity of the BridgeTex II Facilities (measured on a Bpd basis), then each BridgeTex II New Shipper’s allocation will be reduced on a pro rata basis (using nominated volumes) so that the allocations to all BridgeTex II New Shippers in the aggregate do not exceed 10% of the total capacity of the BridgeTex II Facilities; provided, however, if a BridgeTex II New Shipper is unable to arrange for the delivery of its Crude Petroleum at any nominated individual delivery point within the Destination, then such BridgeTex II New Shipper’s nomination shall be deemed to be reduced by the volume that such BridgeTex II New Shipper is unable to arrange for at the delivery point; and provided further, that if such pro rata allocation in a given month results in no BridgeTex II New Shipper being allocated the monthly minimum volume set forth in Item 40 of the Local Tariff containing rules and regulations (the “**Minimum Nomination Allocation**”), then Carrier will administer a lottery using a software-generated random number process for the total number of Minimum Nomination Allocations available to BridgeTex II New Shippers. Detailed procedures regarding Carrier’s lottery process are outlined in Section 8.

4.3. **BridgeTex II Regular Shipper Capacity.**

4.3.1. All capacity not allocated to BridgeTex II New Shippers will be allocated to BridgeTex II Regular Shippers based on each BridgeTex II Regular Shipper’s Historical Shipment Status.

- 4.3.2. For purposes of these BridgeTex II Procedures, the “**Proration Factor**” for each BridgeTex II Regular Shipper will be equal to the quotient of (i) the BridgeTex II Regular Shipper’s Historical Shipment Status at the time of allocation; divided by (ii) the aggregate total of all BridgeTex II Regular Shippers’ Historical Shipment Statuses at the time of allocation.
- 4.3.3. The capacity allocated to each BridgeTex II Regular Shipper each month will be equal to the lesser of: (i) its monthly nomination; or (ii) its Proration Factor share of all capacity available to BridgeTex II Regular Shippers of the BridgeTex II Facilities for such month; provided, however, that if a BridgeTex II Regular Shipper is unable to arrange for the delivery of its Crude Petroleum at any nominated individual delivery point within the Destination, then such BridgeTex II Regular Shipper’s nomination shall be deemed to be reduced by the volume that such BridgeTex II Regular Shipper is unable to arrange for at such delivery point.
- 4.4. Remaining Capacity. Any remaining capacity not allocated through the application of Sections 4.1 through 4.3 will be allocated among all shippers having remaining unmet nominations, in proportion to each such shipper’s initial capacity allocation resulting from the application of Sections 4.1 through 4.3 (notwithstanding the percentage caps set forth in Section 4.2). If allocation to any shipper pursuant to these BridgeTex II Procedures exceeds its remaining nomination, then the excess volume will be allocated among all other remaining nominations (notwithstanding the percentage caps set forth in Section 4.2) until the remaining capacity is fully allocated or all of the remaining nominations have been fulfilled.
- 4.5. No Integration with other Pipelines. Neither the pipeline prorationing procedures for the BridgeTex I Facilities nor any prorationing, allocation or similar practices, policies or procedures of any pipeline or facility operator interconnecting with the BridgeTex II Facilities shall be construed to form a part of or be integrated herein.

5. Procedural Schedule.

- 5.1. Shipper nominations must be submitted via Carrier’s COBALT (or successor) system prior to 5:00 p.m. Central Time, on the 15th day of the month preceding the month for which the nominations apply; provided, however, to accommodate the administration of the lottery process, BridgeTex II New Shipper nominations must be submitted to Carrier prior to 5:00 p.m. Central Time the 13th day of the month preceding the month for which the nominations apply. If the 13th or 15th day of the month falls on a weekend or holiday, then nominations are due on the last day that is not a weekend or holiday before the 13th or 15th day.
- 5.2. Carrier (directly or through a designated scheduler) will, within two working days after the 15th day of the month preceding the month for which the nominations apply (or such earlier day pursuant to the last sentence of Section 5.1), reply through COBALT or by email to the shipper with its allocated capacity based on these BridgeTex II Procedures.

- 5.3. Each shipper must, within one working day of the reply sent by Carrier pursuant to Section 5.2, reply through COBALT or by email of its acceptance of the allocated capacity. If a shipper does not notify the Carrier of its acceptance of the allocated capacity within such timeframe, shipper's allocated capacity will be allocated to the other shippers based on these BridgeTex II Procedures.
- 5.4. After Carrier completes the steps in Sections 5.1 through 5.3 above, Carrier (directly or through a designated scheduler) will notify each shipper of its confirmed allocated capacity (the "**Confirmed Capacity**").

6. Shipper Obligation. In addition to a shipper's obligation to pay the applicable transportation charges under the Local Tariff, if a shipper does not tender for shipment its Confirmed Capacity during any month in which Carrier's facilities are prorated, the shipper will be invoiced and will be responsible for payment of an amount equal to the product of (a) the difference of shipper's Confirmed Capacity for such month, less any volumes actually shipped by such shipper during such month; multiplied by (b) the then-current tariff rate applicable to the Confirmed Capacity; provided, however, in the event such shipper is a party to a TSA with Carrier at that time, charges under this paragraph shall be without duplication of amounts due under the TSA and shall only apply to the extent they would exceed charges due for such month under the TSA.

7. Cooperating Shippers. Notwithstanding anything in these BridgeTex II Procedures to the contrary:

- 7.1. Restrictions on Assignment of Allocations. BridgeTex II New Shipper, and BridgeTex II Regular Shipper allocations may not be assigned, conveyed, loaned, or transferred to any shipper other than the shipper assigned such allocation by Carrier, except that such allocations may be transferred as an incident of the bona fide sale of all or substantially all of the shipper's business or to a successor to the shipper's business, or by the operation of law (such as by an executor or trustee in bankruptcy).
- 7.2. Restrictions on Assignment of History. No shipper may sell, transfer, assign, loan, or otherwise convey Historical Shipment Status to another person, except that, Historical Shipment Status may be transferred: (a) as an incident of the bona fide sale of all or substantially all of the shipper's business or to a successor to the shipper's business, (b) by the operation of law (such as by an executor or trustee in bankruptcy), or (c) together with the transfer of all obligations under a TSA with Carrier's consent.
- 7.3. Cooperating Shippers. With respect to nominations by Cooperating Shippers, Carrier will consider and accept only the nomination of the Cooperating Shipper with the largest volume, and all other nominations of all other Cooperating Shippers shall be deemed to be void and of no force or effect. If one or more Cooperating Shippers' nominations are of equal volume, then Carrier shall consider and accept only the nomination of the Cooperating Shipper with the longest Shipment history.

- 7.4. Remedy. Any nominations, Shipments or attempted Shipments made in contravention of the provisions of this Section 7 shall be disregarded by Carrier for purposes of determining Historical Shipment Status or allocation of capacity under these BridgeTex II Procedures (including, but not limited to, through the lottery process described in Section 8).
- 7.5. No Circumvention. A shipper may not create, use or otherwise work with a Cooperating Shipper in order to circumvent these BridgeTex II Procedures for the purposes of improperly obtaining additional capacity on the BridgeTex II Facilities, becoming a BridgeTex II Regular Shipper, establishing Historical Shipment Status, obtaining a Minimum Nomination Allocation through the lottery process described in Section 8, or any other improper purposes. Shippers shall have the burden of demonstrating that they are not in violation of this Section 7.

8. Lottery Process. Carrier will administer a lottery process in order to allocate capacity to BridgeTex II New Shippers pursuant to Section 4.1 as follows:

- 8.1. Carrier will use a software-generated random number process to randomly assign each BridgeTex II New Shipper a number from one to the number representing the total number of BridgeTex II New Shippers participating in the lottery (i.e. if there are thirty BridgeTex II New Shippers, numbers one through thirty will be assigned).
- 8.2. The BridgeTex II New Shipper assigned number one will receive the first Minimum Nomination Allocation. Thereafter, Minimum Nomination Allocations will be assigned to BridgeTex II New Shippers sequentially, from the lowest assigned number to the highest assigned number, until the 10% of available capacity referenced in Section 4.1 above is fully allocated.
- 8.3. Following the lottery, Carrier will notify BridgeTex II New Shippers as to whether or not they were allocated capacity in that month.